

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended August 31, 2014 (Based on Japanese GAAP)

October 10, 2014

Company name: Gulliver International Co., Ltd.  
 Stock exchange listing: Tokyo  
 Stock code: 7599 URL <http://221616.com>  
 Representative: Chairman Kenichi Hatori  
 Inquiries: Accounting and Finance Section Manager Masayuki Matsumoto TEL 03-5208-5503  
 Scheduled date to file Quarterly Securities Report: October 15, 2014  
 Scheduled date to commence dividend payments: November 10, 2014  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended August 31, 2014 (from March 1, 2014 to August 31, 2014)

(1) Consolidated financial results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended August 31, 2014	74,631	(10.5)	2,727	(23.3)	2,758	(24.6)	1,645	(28.4)
Six months ended August 31, 2013	83,401	17.0	3,557	123.8	3,658	112.9	2,298	164.5

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended August 31, 2014	16.23		16.23	
Six months ended August 31, 2013	22.67		22.67	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2014	50,460	33,716	66.8	332.48
As of February 28, 2014	52,779	32,846	62.2	323.99

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended February 28, 2014	–	5.00	–	8.00	13.00
Year ending February 28, 2015	–	7.50			
Year ending February 28, 2015 (Forecast)			–	12.50	20.00

3. Forecast of consolidated financial results for the year ending February 28, 2015 (from March 1, 2014 to February 28, 2015)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	173,000	2.1	8,500	19.8	8,500	18.0	5,100	17.0	50.31

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 31, 2014  
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: Yes
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of August 31, 2014	106,888,000 shares	As of February 28, 2014	106,888,000 shares
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Number of treasury shares at the end of the period

As of August 31, 2014	5,480,160 shares	As of February 28, 2014	5,520,070 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended August 31, 2014	101,375,026 shares	Six months ended August 31, 2013	101,368,210 shares
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## 1. Qualitative information on settlement of accounts for the second quarter

### (1) Qualitative information on consolidated operating results

In the first half of the fiscal year under review (March 1 to August 31, 2014), the number of cars purchased at directly managed stores declined year on year as the number of visitors to stores decreased due to the temporary impact of conservative consumer spending caused by the consumption tax rate hike.

The impact of the decline due to conservative consumer spending was somewhat greater than initially assumed; however, from July 2014 onward, the effect ended, and the number of visitors to stores rebounded rapidly.

On the other hand, the number of retail car sales at directly managed stores maintained a level approximately the same as the previous fiscal year despite lower numbers of store visitors, thanks to the effect of opening new display sales stores.

The net number of directly managed stores increased by 12 from the end of the previous fiscal year, taking the total to 316. New openings including new-format display sales stores such as SNAP HOUSE, which deals primarily in minivans, and Gulliver HYBRID, which deals mainly in hybrid vehicles.

Selling, general and administrative (SG&A) expenses saw an increase in expenses related to store operations, accompanying an increased number of Gulliver-directly operated stores and Advertising expenses.

Due to the above, consolidated business results for the second quarter were as follows: consolidated net sales were 74,631 million yen (down 10.5% from the same term last year), operating income was 2,727 million yen (down 23.3% from the same term last year), ordinary income was 2,758 million yen (down 24.6% from the same term last year) and net income was 1,645 million yen (down 28.4% from the same term last year).

### (2) Qualitative information on consolidated financial position

#### Assets

Total assets as of August 31, 2014 were 50,460 million yen, an decrease of 4.4% from February 28, 2014.

Current assets were 29,319 million yen, down 12.4% from the same date. The primary contributing factor was a 1,868 million yen decrease in cash and deposits, a 505 million yen increase in merchandise and a 2,532 million yen decrease in notes and accounts receivable-trade.

Of the total amount of accounts receivable-trade, the accounts receivable (financial credit) of consolidated subsidiary G-One Financial Services Co., Ltd. stood at 2,126 million yen

Total noncurrent assets at Aug 31, 2014 increased by 9.4% from February 28, 2014, to 21,141 million yen. This mainly reflected a 688 million yen increase in buildings and structures and a 893 million yen increase in construction in progress.

#### Liabilities

Total liabilities at Aug 31, 2014 decreased by 16.0% from February 28, 2014 to 16,744 million yen.

Current liabilities at Aug 31, 2014 increased by 5.5% from February 28, 2014 to 14,272 million yen. The primary contributing factor was a 12 million yen increase in deposits received, and a 1,281 million yen decrease in income taxes payable,

Total noncurrent liabilities at Aug 31, 2014 decreased by 61.4% from February 28, 2014 to 2,472 million yen.

#### Net assets

Net assets at Aug 31, 2014 increased by 2.6% from February 28, 2014 to 33,716 million yen, mainly due to a 848 million yen increase in retained earnings accompanying the posting of net income.

### (3) Outlook for the fiscal year ending February 28, 2015

There have been no changes to the full-year consolidated results forecasts for the fiscal year ending February 28, 2015, which were announced with the Consolidated Results, First Quarter of the Fiscal Year Ending February 28, 2015 (Japanese GAAP; Consolidated) issued on July 11, 2014.

## 2. Summary Information (Notes)

### Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

In order to account for losses on repairs to vehicles with warranties, the warranty estimate value for the warranty term was recorded based on past results. However, having accumulating a sufficient amount of actual data related to repairs, we changed the method of calculating estimates due to our ability to generate more precise estimates.

As a result, compared to the previous method, costs of sales for second quarter of the fiscal year under review decreased by 637 million yen and operating income, ordinary income, and income before income taxes and minority interests all increased by the equivalent amount.

**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of February 28, 2014	As of August 31, 2014
Assets		
Current assets		
Cash and deposits	14,688	12,819
Notes and accounts receivable - trade	7,163	4,631
Merchandise	9,414	9,919
Deferred tax assets	1,210	856
Other	1,046	1,145
Allowance for doubtful accounts	(59)	(53)
Total current assets	33,463	29,319
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,586	16,582
Accumulated depreciation	(5,605)	(5,912)
Buildings and structures, net	9,981	10,670
Vehicles	215	57
Accumulated depreciation	(185)	(53)
Vehicles, net	30	3
Tools, furniture and fixtures	2,740	2,780
Accumulated depreciation	(2,165)	(2,206)
Tools, furniture and fixtures, net	575	573
Land	218	218
Construction in progress	184	1,077
Total property, plant and equipment	10,989	12,544
Intangible assets		
Software	993	1,111
Other	17	172
Total intangible assets	1,011	1,284
Investments and other assets		
Investment securities	3	3
Shares of subsidiaries and associates	435	46
Long-term loans receivable	251	250
Lease and guarantee deposits	3,319	3,449
Construction assistance fund receivables	2,812	3,040
Deferred tax assets	253	251
Other	302	335
Allowance for doubtful accounts	(62)	(62)
Total investments and other assets	7,315	7,313
Total non-current assets	19,316	21,141
Total assets	52,779	50,460

(Millions of yen)

	As of February 28, 2014	As of August 31, 2014
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	2,852	2,999
Short-term loans payable	-	4,005
Accounts payable - other	1,721	1,232
Income taxes payable	2,116	834
Deposits received	98	111
Provision for bonuses	440	536
Provision for merchandise warranties	1,817	1,268
Other	4,478	3,283
Total current liabilities	13,525	14,272
Non-current liabilities		
Long-term loans payable	4,000	51
Long-term guarantee deposited	741	713
Provision for directors' retirement benefits	474	490
Asset retirement obligations	1,191	1,217
Total non-current liabilities	6,407	2,472
Total liabilities	19,933	16,744
<b>Net assets</b>		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus	4,032	4,032
Retained earnings	28,548	29,397
Treasury shares	(3,975)	(3,947)
Total shareholders' equity	32,761	33,639
Accumulated other comprehensive income		
Foreign currency translation adjustment	80	76
Total accumulated other comprehensive income	80	76
Subscription rights to shares	4	-
Total net assets	32,846	33,716
Total liabilities and net assets	52,779	50,460

**Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)**

**Consolidated statements of income (cumulative)**

	(Millions of yen)	
	Six months ended August 31, 2013	Six months ended August 31, 2014
Net sales	83,401	74,631
Cost of sales	65,637	55,828
Gross profit	17,763	18,802
Selling, general and administrative expenses	14,206	16,075
Operating income	3,557	2,727
Non-operating income		
Interest income	56	8
Compensation income	-	12
Foreign exchange gains	10	1
Reversal of allowance for doubtful accounts	52	0
Insurance income	5	10
Other	27	21
Total non-operating income	152	53
Non-operating expenses		
Interest expenses	42	20
Other	8	2
Total non-operating expenses	51	22
Ordinary income	3,658	2,758
Extraordinary income		
Reversal of provision for loss on business of subsidiaries and associates	50	-
Other	-	0
Total extraordinary income	50	0
Extraordinary losses		
Loss on retirement of non-current assets	28	29
Lease contract cancellation penalty	-	24
Other	-	1
Total extraordinary losses	28	54
Income before income taxes and minority interests	3,679	2,704
Income taxes - current	1,535	702
Income taxes - deferred	(153)	356
Total income taxes	1,381	1,058
Income before minority interests	2,298	1,645
Net income	2,298	1,645

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Six months ended August 31, 2013	Six months ended August 31, 2014
Income before minority interests	2,298	1,645
Other comprehensive income		
Foreign currency translation adjustment	9	(3)
Total other comprehensive income	9	(3)
Comprehensive income	2,307	1,642
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,307	1,642

## Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2013	Six months ended August 31, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	3,679	2,704
Depreciation	601	736
Amortization of goodwill	-	4
Increase (decrease) in allowance for doubtful accounts	(51)	(5)
Increase (decrease) in provision for bonuses	71	96
Increase (decrease) in provision for directors' retirement benefits	(35)	16
Increase in provision for merchandise warranties	193	(548)
Interest and dividend income	(56)	(8)
Interest expenses	42	20
Foreign exchange losses (gains)	(10)	(1)
Loss on retirement of non-current assets	28	29
Lease contract cancellation penalty	-	24
Decrease (increase) in notes and accounts receivable - trade	415	1,325
Decrease (increase) in inventories	2,745	(318)
Increase (decrease) in accrued consumption taxes	369	(107)
Increase (decrease) in notes and accounts payable - trade	(960)	135
Other, net	(556)	(367)
Subtotal	6,477	3,735
Interest and dividend income received	56	8
Interest expenses paid	(42)	(20)
Income taxes paid	(505)	(1,965)
Net cash provided by (used in) operating activities	5,985	1,757
Cash flows from investing activities		
Purchase of property, plant and equipment	(541)	(2,067)
Purchase of intangible assets	(137)	(336)
Payments for asset retirement obligations	(6)	(9)
Purchase of shares of subsidiaries and associates	(31)	(10)
Payments of loans receivable	(20)	-
Collection of loans receivable	639	1
Payments for lease and guarantee deposits	(167)	(183)
Proceeds from collection of lease and guarantee deposits	48	38
Payments of construction assistance fund receivables	(113)	(374)
Collection of construction assistance fund receivables	118	124
Payments into time deposits	-	(4)
Proceeds from withdrawal of time deposits	-	39
Other, net	0	1
Net cash provided by (used in) investing activities	(212)	(2,780)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	5,000	(134)
Repayments of long-term loans payable	(5,000)	(16)
Proceeds from exercise of share options	-	12
Cash dividends paid	(475)	(809)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(475)	(948)
Effect of exchange rate change on cash and cash equivalents	5	(2)
Net increase (decrease) in cash and cash equivalents	5,303	(1,973)
Cash and cash equivalents at beginning of period	6,836	14,661
Increase in cash and cash equivalents from newly consolidated subsidiary	-	103
Cash and cash equivalents at end of period	12,140	12,791